

API, Inc. Asbestos Settlement Trust

ANNUAL REPORT OF THE TRUSTEE, 2014

API, INC. ASBESTOS SETTLEMENT TRUST

June 15, 2015

TO: Trust Advisor, API, Inc. Asbestos Settlement Trust
Michael S. Polk
SIEBEN POLK, PA
1640 S. Frontage Road
Suite 200
Hastings, MN 55033

Legal Representative, API, Inc. Asbestos Settlement Trust
Hon. Thomas H. Carey
6475 White Pine Lane
Gilbert, MN 55741

API, Inc., Settlor, API, Inc. Asbestos Settlement Trust
c/o Chief Executive Officer
1100 Old Highway 8 NW
New Brighton, MN 55112

This Report has been prepared by the Trustee of the API, Inc. Asbestos Settlement Trust ("Trust"), pursuant to Sections 2.2 (b), and (c), of the First Amended API, Inc. Asbestos Settlement Trust Agreement ("Trust Agreement"). Those sections require the Trustee to prepare and submit an Annual Report containing the Trust's financial statements, auditor's opinion, and summary of type and number of claims to the Trust during the prior year, all as more fully described in those sections of the Trust Agreement.

This Report is the Annual Report for 2014.

The Trust has retained the accounting firm of Messerli & Schadow, PLLP of Minneapolis, Minnesota, as the Trust's auditors, to prepare the Financial Statements, and to issue a fairness opinion as to those Financial Statements for 2014. Pursuant to that engagement,

ANNUAL REPORT OF THE TRUSTEE

June 15, 2015

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Messerli & Schadow, PLLP has completed both the Financial Statements, and has issued its Independent Auditor's Report regarding those Statements.

The Independent Auditor's Report, and Financial Statements are attached as Exhibit A.

The Trust has made payments on Claims during 2014. Payments made by the Trust in 2014 are: New Claims paid during 2014, including second injury Claims submitted and approved pursuant to §5.1(c) of the Trust Distribution Procedures.

The summary of 2014 payments made to new Claimants is attached as Exhibit B.

The summary of payments made to Second Injury Claimants in 2014 is attached as Exhibit C.

This Report is submitted solely for the purposes required in the Trust Agreement, and is not intended, nor should it be construed, as legal advice from the Trustee, or the Trust, to claimants, claimants' counsel, or others.

API, INC. ASBESTOS SETTLEMENT TRUST



Robert D. Brownson
TRUSTEE

Minneapolis, Minnesota

API, INC. ASBESTOS SETTLEMENT TRUST

FINANCIAL STATEMENTS

DECEMBER 31, 2014 and 2013

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Larry E. Messerli, CPA
Chris M. Schadow, CPA

Andrea R. Kulig, CPA
Cora E. Leland, CPA
Kathrine S. Simonson, CPA



Suite 517
6550 York Avenue South
Minneapolis, MN 55435
Phone 952-927-8350
Fax 952-927-8489
larry@messerli-schadow.com
chris@messerli-schadow.com

INDEPENDENT AUDITOR'S REPORT

To the Trustee
API, Inc. Asbestos Settlement Trust
Minneapolis, Minnesota

Report on the Financial Statements

We have audited the accompanying special-purpose financial statements of API, Inc. Asbestos Settlement Trust which comprise the statements of net claimants' equity as of December 31, 2014 and 2013 and the related statements of changes in net claimants' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these special-purpose financial statements in accordance with the special-purpose basis of accounting utilized by the Trust, described in Note 2. This includes determining that the special-purpose basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

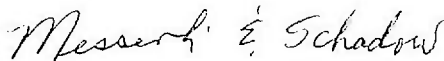
In our opinion, the financial statements referred to above present fairly, in all material respects, net claimants' equity of API, Inc. Asbestos Settlement Trust as of December 31, 2014 and 2013 and the related changes in net claimants' equity and cash flows for the years then ended, in accordance with the special-purpose method of accounting described in Note 2.

Basis of Accounting

As described in Note 2, these financial statements were prepared on a special-purpose basis of accounting and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America. The special-purpose basis of accounting has been used in order to present the amount of equity available to current and future claimants. Our opinion is not modified with respect to this matter.

Restriction on Use

Our report is intended solely for the information and use of the Trustee, the Legal Representative, the Trust Advisor, the beneficiaries of the Trust and the United States Bankruptcy Court for the District of Minnesota and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which, upon filing with the United States Bankruptcy Court for the District of Minnesota, is a matter of public record.



MESSERLI & SCHADOW, PLLP
Certified Public Accountants

June 5, 2015

API, INC. ASBESTOS SETTLEMENT TRUST
STATEMENTS OF NET CLAIMANTS' EQUITY
DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
ASSETS:		
Current Assets:		
Cash and cash equivalents	\$ 997,791	\$ 21,743
Money market funds	2,190,921	179,218
Insurance settlement receivable	-	3,225,000
Note receivable	1,300,000	1,300,000
Investments	8,061,946	7,944,133
Principal protected note	-	44,744
Prepaid expenses	-	6,738
Total current assets	<u>\$ 12,550,658</u>	<u>\$ 12,721,576</u>
Other Assets:		
Note receivable	<u>\$ 14,625,000</u>	<u>\$ 15,925,000</u>
Total other assets	<u>\$ 14,625,000</u>	<u>\$ 15,925,000</u>
Total Assets	<u>\$ 27,175,658</u>	<u>\$ 28,646,576</u>
LIABILITIES:		
Current Liabilities:		
Accounts payable	\$ 42,843	\$ 8,192
Claims processing fees payable	20,800	24,700
Total current liabilities	<u>\$ 63,643</u>	<u>\$ 32,892</u>
NET CLAIMANTS' EQUITY	<u>\$ 27,112,015</u>	<u>\$ 28,613,684</u>

See Independent Auditor's Report and
Notes to Financial Statements.

API, INC. ASBESTOS SETTLEMENT TRUST
STATEMENTS OF CHANGES IN NET CLAIMANTS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Additions:		
Interest income	\$ 197,989	\$ 173,834
Dividend income	34,864	34,913
Gain/(loss) on investments	611,605	(296,497)
Claim processing fees and miscellaneous income	2,545	1,418
Total additions	<u>\$ 847,003</u>	<u>\$ (86,332)</u>
Deductions:		
Accounting fees	\$ 32,177	\$ 31,240
Bank charges	29	-
Insurance	6,738	6,357
Investment management fees	39,458	38,209
Legal fees	13,292	169
Office expenses	1,530	1,624
Professional services	3,600	6,100
Trustee, legal representative and trust advisor fees	317,058	272,670
Total deductions	<u>\$ 413,882</u>	<u>\$ 356,369</u>
Change in net claimants' equity	\$ 433,121	\$ (442,701)
Net claimants' equity, beginning of period	28,613,684	30,499,613
Contributions to net claimants' equity	-	-
Distributions from net claimants' equity	<u>1,934,790</u>	<u>1,443,228</u>
Net claimants' equity, end of period	<u><u>\$ 27,112,015</u></u>	<u><u>\$ 28,613,684</u></u>

See Independent Auditor's Report and
Notes to Financial Statements.

API, INC. ASBESTOS SETTLEMENT TRUST
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CASH INFLOWS:		
Investment income	\$ 322,698	\$ 309,981
Proceeds from note receivable	1,300,000	1,300,000
Proceeds from sale of investments	3,618,448	2,554,030
Proceeds from insurance settlement	3,225,000	-
Receipt of claim search fees	1,645	1,018
Receipt of claim processing payments	18,000	14,300
	<u>\$ 8,485,791</u>	<u>\$ 4,179,329</u>
CASH OUTFLOWS:		
Distributions to claimants	\$ 1,934,790	\$ 1,443,228
Disbursements for trust operating expenses	372,494	387,845
Purchases of investments	5,181,459	2,826,689
Refund of claim processing payments	21,000	8,000
	<u>\$ 7,509,743</u>	<u>\$ 4,665,762</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 976,048	\$ (486,433)
CASH AND CASH EQUIVALENTS, beginning of period	<u>21,743</u>	<u>508,176</u>
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 997,791</u>	<u>\$ 21,743</u>

See Independent Auditor's Report and
Notes to Financial Statements.

API, INC. ASBESTOS SETTLEMENT TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 1. DESCRIPTION OF THE TRUST

The API, Inc. Asbestos Settlement Trust (the Trust), organized pursuant to the laws of the State of Minnesota, was established according to the Third Amended Plan of Reorganization of API, Inc. as modified (the Plan). The Trust was formed to assume all asbestos claims against API, Inc., whether now existing or arising at any time hereafter, and to use the Trust's assets and income to pay holders of allowed asbestos claims in accordance with the Plan and Trust Agreement. The Trust's funding is dedicated solely to the settlement of asbestos health claims and the related costs, as defined in the Plan. The Trust was consummated on February 5, 2007.

The Trust was initially funded with cash, a promissory note from API, Inc., rights to proceeds from asbestos insurance policies and insurance settlement rights.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Trust's financial statements are prepared using special-purpose accounting methods that differ from accounting principles generally accepted in the United States of America. The special-purpose accounting methods were adopted in order to present the amount of equity available for payment of current and future claims and operating expenses of the Trust. Since the accompanying special-purpose financial statements are not based on accounting principles generally accepted in the United States of America, accounting treatment by other parties for these same transactions may differ as to timing and amounts. These special-purpose accounting methods are as follows:

- (1) The financial statements are prepared using the accrual basis of accounting.
- (2) The funding received from API, Inc., API Group, Inc. and the insurance companies are added directly to net claimants' equity. The distributions to claimants and litigation expenses incurred in relation to additions to net claimants' equity are deducted directly from net claimants' equity. These funds do not represent income or expenses of the Trust.
- (3) Non-interest bearing notes have not been discounted to present value.
- (4) Costs of non-income producing assets, which will be exhausted during the life of the Trust and are not available for satisfying claims, are expensed as they are incurred. These items include costs of computer hardware and software.

API, INC. ASBESTOS SETTLEMENT TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

- (5) Investments are recorded at fair value. All interest and dividend income is included in interest and dividend income on the statements of changes in net claimants' equity. Realized and unrealized gains and losses are reflected on the statements of changes in net claimants' equity.
- (6) The Trust does not record a deferred tax asset for net operating loss carryforwards or a deferred tax asset or liability arising from unrealized gains or losses on securities. For the years ended December 31, 2014 and 2013, the net operating loss carryforward available for use in future years was \$3,958,489 and \$3,690,335, respectively. The net operating loss carryforwards begin to expire in the year ending December 31, 2027.
- (7) Payments for services to be received over an extended period in the future are recorded as expenses when incurred as these amounts are no longer available for the payment of claims.

Cash and Cash Equivalents

The Trust considers unrestricted currency, demand deposits, and certificates of deposit with an initial maturity of three months or less to be cash and cash equivalents.

Fair Value of Investments

The Trust measures its investments at fair value. Fair value is defined as the price at which an asset could be exchanged in a current transaction between knowledgeable and willing parties.

Fixed Assets

The cost of non-income producing assets that will be exhausted during the life of the Trust and are not available for satisfying claims are expensed as incurred. Since inception of the Trust through December 31, 2014, the cost of fixed assets expensed includes website development costs of \$4,003.

Claims Payable

Claims payable on the statements of net claimants' equity reflect claims approved but unpaid as of December 31 of each year.

API, INC. ASBESTOS SETTLEMENT TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of financial statements in conformity with the special-purpose accounting methods described above requires Trust management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions to net claimants' equity during the reporting periods. Accordingly, actual results may differ from those estimates.

Date of Trustee Review

In preparing these financial statements, the Trust has evaluated events and transactions for potential recognition or disclosure through June 5, 2015, the date the special-purpose financial statements were available to be issued.

NOTE 3. NOTE RECEIVABLE

Note receivable as of December 31, 2014 and 2013 consisted of a promissory note from API, Inc. The original face value of the note was \$26,000,000. The note calls for eighty quarterly payments of \$325,000 and is due in full in March 2027. The note bears no interest. The note is secured by 51 percent of the common shares of API, Inc. and certain other assets of API, Inc. As of December 31, 2014, the note was receivable as follows:

Receivable within one year	\$ 1,300,000
Receivable in future years	<u>14,625,000</u>
	<u>\$ 15,925,000</u>

NOTE 4. FAIR VALUE MEASUREMENTS

Investments recorded at fair value are categorized using the defined hierarchical levels directly related to the amount of subjectivity associated with the inputs to value an asset. Level 1 inputs consist of quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consist of quoted prices for similar instruments in active markets or quoted prices for identical or similar investments in markets that are not active markets. Level 2 inputs also consist of valuation techniques for which significant assumptions are observable in the market or can be corroborated by observable market data. Level 3 inputs consist of unobservable inputs that can not be corroborated by observable market data and typically reflect Trust management's estimate of fair value.

API, INC. ASBESTOS SETTLEMENT TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 4. FAIR VALUE MEASUREMENTS (continued)

The Trust uses appropriate valuation techniques based on the available inputs to measure the fair value of investments. When available, the Trust measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are used only when Level 1 or Level 2 inputs were not available. Fair values of assets measured on a recurring basis at December 31, 2014 and 2013 are as follows:

		Fair Value at December 31, 2014 Using Inputs Considered as:		
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual Fund-Fixed Income	\$ 1,225,000	\$ 1,225,000	\$ --	\$ --
U.S. Government Bonds and Notes	225,851		225,851	
Municipal Bonds:				
S&P Rated AAA	2,272,169		2,272,169	
S&P Rated AA	2,294,012		2,294,012	
S&P Rated A	1,777,607		1,777,607	
Total Municipal Bonds	<u>6,343,788</u>	<u>--</u>	<u>6,343,788</u>	<u>--</u>
Common Stock:				
Consumer discretionary	49,045	49,045		
Energy	33,232	33,232		
Finance	39,716	39,716		
Health care	24,971	24,971		
Industrials/Materials	30,481	30,481		
Staples	13,957	13,957		
Technology	45,636	45,636		
Telecommunications	16,020	16,020		
Utilities	14,249	14,249		
Total Common Stock	<u>267,307</u>	<u>267,307</u>	<u>--</u>	<u>--</u>
Total Investments	\$ 8,061,946	\$ 1,492,307	\$ 6,569,639	\$ --
Money Market Funds	2,190,921	2,190,921	--	--
Total	<u>\$10,252,867</u>	<u>\$ 3,683,228</u>	<u>\$ 6,569,639</u>	<u>\$ --</u>

		Fair Value at December 31, 2013 Using Inputs Considered as:		
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual Fund-Fixed Income	\$ 1,103,264	\$ 1,103,264	\$ --	\$ --
U.S. Government Bonds and Notes	227,457		227,457	
Municipal Bonds:				
S&P Rated AAA	1,468,558		1,468,558	
S&P Rated AA	2,871,241		2,871,241	
S&P Rated A	2,273,613		2,273,613	
Total Municipal Bonds	<u>6,613,412</u>	<u>--</u>	<u>6,613,412</u>	<u>--</u>
Total Investments	\$ 7,944,133	\$ 1,103,264	\$ 6,840,869	\$ --
Money Market Funds	179,218	179,218		
Principal Protected Note	44,744			44,744
Total	<u>\$ 8,168,095</u>	<u>\$ 1,282,482</u>	<u>\$ 6,840,869</u>	<u>\$ 44,744</u>

API, INC. ASBESTOS SETTLEMENT TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 4. FAIR VALUE MEASUREMENTS (continued)

Transfers between Level 1 and Level 2, if any, are recognized at the end of the reporting period. For the years ended December 31, 2014 and 2013, the Trust did not have significant transfers of investments between Level 1 and Level 2.

Level 2 Fair Value Measurements:

The Trust uses a market approach to value the Level 2 investments. The value of municipal bonds and United States Government bonds and notes are based on institutional bond quotes and various market and industry inputs. Municipal bonds are presented by S&P bond rating.

Level 3 Fair Value Measurements:

During the year ended December 31, 2008, the Trust invested in a principal protected note issued by Lehman Brothers. The note called for the return of the principal amount of the investment (\$1,000,000) and potentially earnings if certain criteria were met. The note was scheduled to mature during the year ended December 31, 2009.

During the year ended December 31, 2008, Lehman Brothers declared bankruptcy. The Trust filed a proof of claim with the bankruptcy court. Through December 31, 2011, Trust management had reduced the estimate of the recoverable amount of the note from \$1,000,000 to \$250,000. During the years ended December 31, 2013 and earlier, the Trust had received \$205,256 from the bankruptcy trustee. During the year ended December 31, 2014, \$109,997 was received from the bankruptcy trustee along with \$256,541 received from a designated settlement fund of the investment firm who promoted the principal protected investments. As a result, the Trust had recoveries in excess of the estimated recoverable amount of the principal protected note of \$321,794, which is included in gain/(loss) on investments in the statement of changes in net claimants' equity for the year ended December 31, 2014.

Activity in Level 3 investments for the years ended December 31, 2014 and 2013 was as follows:

	<u>2014</u>	<u>2013</u>
Balance at January 1	\$ 44,744	\$ 151,887
Recoveries from bankruptcy proceedings and the designated settlement fund	(366,538)	(107,143)
Recoveries in excess of the estimated recoverable amount	<u>321,794</u>	<u>--</u>
Balance at December 31	<u>\$ --</u>	<u>\$ 44,744</u>

API, INC. ASBESTOS SETTLEMENT TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 5. INVESTMENT INCOME

Investment income consists of:

	<u>2014</u>	<u>2013</u>
Realized gain on investments	\$ 64,384	\$ 12,976
Recoveries in excess of the estimated recoverable amount	321,794	--
Unrealized gain (loss) on investments	<u>225,427</u>	<u>(309,473)</u>
Gain (loss) on investments	<u>\$ 611,605</u>	<u>\$ (296,497)</u>
 Total interest income	 \$ 287,834	 \$ 275,068
Less: bond premium amortization	<u>(89,845)</u>	<u>(101,234)</u>
Interest income	<u>\$ 197,989</u>	<u>\$ 173,834</u>
 Dividend income	 \$ 34,864	 \$ 34,913
 Total investment income	 <u>\$ 844,458</u>	 <u>\$ (87,750)</u>

NOTE 6. INCOME TAXES

For federal income tax purposes, API, Inc. has elected for the qualified assets of the Trust to be taxed as a Designated Settlement Fund (DSF). Income and expenses associated with the DSF are taxed in accordance with Section 468B of the Internal Revenue Code. The federal statutory income tax rate for the DSF is 35%.

The Advisory Committee believes the Trust is operating in a manner so as to continue to qualify as a Designated Settlement Fund. The Trust recognizes potential interest and penalties pertaining to income tax related issues, if any, as income tax expense. During the years ended December 31, 2014 and 2013, no such interest or penalties were recognized.

The Trust Advisory Committee evaluates all tax positions and makes a determination regarding their likelihood of being upheld under review. For the years ended December 31, 2014 and 2013, the Trust did not have uncertain tax positions for which they recorded a tax liability. The Trust believes they are no longer subject to federal or state income tax examinations for years prior to December 31, 2011.

NOTE 7. NET CLAIMANTS' EQUITY

The distributions from claimants' equity for the years ended December 31, 2014 and 2013 were distributions to claimants in the amounts of \$1,934,790 and \$1,443,228, respectively. The Trust did not have contributions to claimants' equity for the years ended December 31, 2014 and 2013.

API, INC. ASBESTOS SETTLEMENT TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 7. NET CLAIMANTS' EQUITY (continued)

The distributions to claimants represent a payment sum percentage of 30 percent of the allowed liquidated value per claimant as of December 31, 2014 and 2013, per the Trust Distribution Procedures. The Trust Distribution Procedures allow this percentage to be evaluated at least once per year by the Trustee, the Legal Representative and the Trust Advisor. Distributions prior to October 1, 2010 also included enhanced payments for exigent health, extraordinary or extreme hardship claims, if applicable, as determined by the Trustee. As of October 1, 2010, claims could be filed and approved as exigent health, extraordinary or extreme hardship claims, but the enhanced payment will not be made until the Trustee determines the Trust is financially capable of making enhanced payments.

NOTE 8. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2014 and 2013, the Trust incurred fees of \$3,600 for professional services provided by a member of the Trustee's family. These amounts are included in professional services for the years ended December 31, 2014 and 2013 on the statements of changes in net claimants' equity.

During the years ended December 31, 2014 and 2013, the Trust incurred legal fees of \$9,537 and \$120, respectively, for professional services provided by the law firm in which the Trustee is a principal member. These amounts are included in legal fees on the statements of changes in net claimants' equity.

During the years ended December 31, 2014 and 2013, the Trust incurred fees of \$317,058 and \$272,670, respectively, from members of the advisory committee in their roles as trustee, legal representative and trust advisor. Of these amounts, \$38,730 and \$3,818 are included in accounts payable on the statements of net claimants' equity as of December 31, 2014 and 2013, respectively. The trust advisor is a principal member of the law firm representing numerous claimants.

NOTE 9. INSURANCE SETTLEMENTS

In January 2008, settlement agreements were approved by the courts with seven insurance companies. The insurance settlements were received during the year ended December 31, 2008.

Pursuant to the settlement agreement with one of the insurance companies, the immediate cash settlement of seven million dollars was paid to the Trust by February 10, 2008 and was nonrefundable. The remainder of the aggregate settlement amount is payable to the Trust upon certain criteria being met. Upon such time that the insurance company reimbursement obligation for all qualified

API, INC. ASBESTOS SETTLEMENT TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 9. INSURANCE SETTLEMENTS (continued)

asbestos claims related to the insurance carrier exceeds the original cash settlement amount of seven million dollars, the insurance carrier is obligated to make additional settlement payments to the Trust, up to a maximum of an additional eleven million dollars. As of December 31, 2014, the reimbursement obligation for the insurance carrier had not exceeded the original cash settlement amount. The amount of the potential additional settlement funds is undeterminable at this time and has not been reflected in the financial statements.

NOTE 10. INSURANCE CASE SETTLEMENTS

In prior years, various claims had been presented to the Liquidator for Home Insurance Company. During the year ended December 31, 2012, the Trust reached a settlement agreement with the Liquidator for Home Insurance Company. The Trust's claim had been accepted as a Class II claim in the liquidated amount of \$21,500,000. As Home Insurance Company is in liquidation, it was anticipated that the Trust would not receive the entire settlement amount. The Trust had recorded a receivable from Home Insurance Company for 15 percent of the settlement amount, \$3,225,000, which was the expected initial distribution to Class II claimants. During the year ended December 31, 2014, the Trust received the initial distribution in the amount of \$3,225,000. The amount of the potential additional receipts under the settlement is undeterminable at this time and has not been reflected in the financial statements.

NOTE 11. CONCENTRATIONS AND CREDIT RISK

The Trust maintains cash balances at two financial institutions. Throughout the years ended December 31, 2014 and 2013, the Trust had significant concentrations of credit risk as a result of maintaining its bank accounts with aggregate balances in excess of the federal insurance coverage of \$250,000.

The Trust has a note receivable from API, Inc. This note is secured by 51 percent of the common stock of API, Inc. and certain other assets of API, Inc. The amount of loss the Trust would occur if API, Inc. should default is not determinable.

The Trust invests in professionally managed portfolios. Such investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Trust's investment account balances and the amounts reported in the special-purpose statements of net claimants' equity and statements of changes in net claimants' equity.

<u>NC#</u>	<u>Claimant</u>	<u>Decedent</u>	<u>State</u>	<u>Disease</u>	<u>Initial Payment</u>	<u>Date Paid</u>
392	Carver, Maurice R.		ND	IV - Asbestosis	\$17,160.00	12/02/2014
469	Panger, Steven M. (Trustee)	Panger, Gale R.	MN	I - Malignant Mesothelioma	\$94,875.00	03/04/2014
490	Gibson, Tina Marie (Trustee)	Trettel, David E.	MN	II - Lung Cancer	\$41,115.00	12/30/2014
495	Malinowski, Joseph		MN	I - Malignant Mesothelioma	\$94,875.00	08/12/2014
496	Benton, Melvin		MN	IV - Asbestosis	\$17,160.00	08/12/2014
503	Strot, Donald V.		MN	IV - Asbestosis	\$17,160.00	08/12/2014
507	Toninato, Bruno		MN	V - Pleural	\$9,045.00	11/25/2014
513	LePage, Raymond		MN	V - Pleural	\$9,045.00	11/25/2014
514	Karpesh, Mike		MN	IV - Asbestosis	\$17,160.00	11/25/2014
515	Skoglund, Eugene		MN	V - Pleural	\$9,045.00	11/25/2014
516	Wolff, Gregory (Adm)	Wolff, Fred	SD	I - Malignant Mesothelioma	\$35,126.10	11/25/2014
518	White, Judy (Trustee)	White, Dennis	MN	I - Malignant Mesothelioma	\$94,875.00	12/30/2014
519	Johnson, Gerald B.		MN	II - Lung Cancer	\$41,115.00	08/12/2014
520	Burrell, Wayne R.		MN	II - Lung Cancer	\$41,115.00	11/25/2014
522	Lendacky, Joseph		MN	V - Pleural	\$9,045.00	05/20/2014
525	Morrison, Merle		MN	II - Lung Cancer	\$41,115.00	08/12/2014
526	Foerster, William D., Jr.		MN	V - Pleural	\$9,045.00	05/20/2014
529	Kittel, Dawn (Trustee)	Plante, Kenneth E.	MN	I - Malignant Mesothelioma	\$94,875.00	12/02/2014
530	Teske, Thomas (Trustee)	Teske, Chester	MN	I - Malignant Mesothelioma	\$94,875.00	06/17/2014
531	Cheesebrow, Nicholas T., Jr. (Trus	Cheesebrow, Nicholas T.	MN	I - Malignant Mesothelioma	\$94,875.00	08/12/2014
532	Durbin, Donald		MN	II - Lung Cancer	\$41,115.00	06/17/2014
533	McKinney, Scott (Trustee)	McKinney, William W.	MN	V - Pleural	\$9,045.00	05/20/2014
534	Svaleson, Stephen		MN	I - Malignant Mesothelioma	\$94,875.00	06/17/2014
535	Casselman, Mary F.		MN	I - Malignant Mesothelioma	\$94,875.00	08/12/2014
536	Dreyling, Arthur		MN	IV - Asbestosis	\$17,160.00	05/20/2014
537	Most, Larry R.		MN	II - Lung Cancer	\$41,115.00	06/17/2014
538	Hill, Randall (Trustee)	Hill, Howard R.	MN	II - Lung Cancer	\$41,115.00	11/25/2014
539	Kratzke, Dolores (Trustee)	Kratzke, Bennard J.	MN	IV - Asbestosis	\$17,160.00	11/25/2014
540	Phillips, Patricia (Trustee)	Phillips, John W.	ND	II - Lung Cancer	\$41,115.00	10/28/2014
541	Peterson, North M.		MN	V - Pleural	\$9,045.00	10/28/2014
542	Anderson, Lance R.		MN	V - Pleural	\$9,045.00	12/02/2014
543	Gouin, Joseph		MN	V - Pleural	\$9,045.00	11/25/2014
544	Henke, Robert R.		MN	I - Malignant Mesothelioma	\$94,875.00	11/25/2014

<u>NC#</u>	<u>Claimant</u>	<u>Decedent</u>	<u>State</u>	<u>Disease</u>	<u>Initial Payment</u>	<u>Date Paid</u>
545	Scholz, Robert W.		MN	V - Pleural	\$17,160.00	12/02/2014
546	Moore, Stanley U.		MN	IV - Asbestosis	\$17,160.00	12/02/2014
547	Miller, James R.		MN	I - Malignant Mesothelioma	\$94,875.00	12/02/2014
548	Gustafson, Andrea (Trustee)	Gustafson, Dale R.	MN	II - Lung Cancer	\$41,115.00	11/25/2014
549	Crnobrna, Robert J.		MN	V - Pleural	\$9,045.00	11/25/2014
551	Banta, James L.		MN	V - Pleural	\$9,045.00	11/25/2014
553	Hackler, Arnold (Trustee)	Hackler, Lloyd	MN	I - Malignant Mesothelioma	\$94,875.00	12/30/2014
555	Linc, Thomas		MN	II - Lung Cancer	\$41,115.00	12/30/2014
556	Brunner, Dolores (Trustee)	Brunner, Louis F.	MN	IV - Asbestosis	\$17,160.00	12/02/2014
558	Jelley, Hugh E.		MN	IV - Asbestosis	\$17,160.00	12/30/2014
559	Jasper, Joseph J.		MN	I - Malignant Mesothelioma	\$94,875.00	12/30/2014

<u>NC#</u>	<u>Claimant</u>	<u>State</u>	<u>Disease (Initial)</u>	<u>Disease (2nd injury)</u>	<u>Payment 1</u>	<u>Date Paid</u>	<u>Payment 2</u>	<u>Date Paid</u>	<u>Payment 3</u>	<u>Date Paid</u>	<u>Payment 4</u>	<u>Date Paid</u>	<u>Initial 2nd Injury Payment</u>	<u>Date Paid</u>
523	Crowley, Rosalie K.	MN	IV - Asbestosis	II - Lung Cancer	\$9,225.35	02/05/2007	\$14,037.20	03/10/2008	\$10,979.10	04/17/2008	\$3,424.16	11/24/2009	\$3,449.19	04/01/2014
528	Schmitz, Theodore J., Jr.	MN	IV - Asbestosis	II - Lung Cancer	\$17,160.00	11/29/2011							\$23,955.00	04/01/2014
550	Stacey, Louis R., Jr.	MN	IV - Asbestosis	II - Lung Cancer	\$9,820.67	02/05/2007	\$14,943.04	03/10/2008	\$11,687.60	04/17/2008	\$3,645.11	11/24/2009	\$1,018.58	10/28/2014
554	Deslich, Joseph	MN	IV - Asbestosis	I - Malignant Mesothelioma	\$10,869.44	02/05/2007	\$16,538.84	03/10/2008	\$12,935.75	04/17/2008	\$4,034.39	11/24/2009	\$50,496.58	12/30/2014